

Message Text

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ACTION ARA-14

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E.O. 11652: N/A
TAGS: ECRE, EMIN, JM
SUBJECT: MEXICO HAS WITHDRAWN FROM JAVEMEX ALUMINA PLANT PROJECT

REFERENCE: KINGSTON 2693

1. MEXICO, A PARTNER IN THE PROPOSED 600,000 TON JAVEMEX ALUMINA PLANT TO BE CONSTRUCTED IN SOUTH MANCHESTER, JAMAICA HAS WITHDRAWN FROM THE PROJECT. A JAMAICAN GOVERNMENT SOURCE HAS SAID THAT THE WITHDRAWAL HAS BEEN KNOWN TO THE JAMAICAN AUTHORITIES FOR SEVERAL WEEKS BUT A FORMAL ANNOUNCEMENT HAS BEEN DELAYED. THE EMBASSY HAS LEARNT THAT MEXICO'S DECISION IS BASED ON THE ECONOMIC SITUATION IN THAT COUNTRY AND ACCORDING TO UNOFFICIAL SOURCES, IT HAS BEEN ADVISED THAT THE PROJECT IS UNECONOMIC.

2. MEXICO WAS TO TAKE UP NO LESS THAN 29 PER CENT OF THE EQUITY, WITH JAMAICA TAKING 51 PER CENT AND VENEZUELA 10 PER CENT. THE REMAINING 10 PER CENT WAS TO BE SOLD TO ALGERIA AND ANY OTHER COUNTRY WITH WHOM FIRM CONTRACTS FOR ALUMINA SALE WOULD BE MADE. MEXICO WAS DUE TO TAKE 300,000 TONS ANNUALLY AND ALGERIA 150,000 OVER A 10-YEAR PERIOD. THE PLANT WAS DUE TO START PRODUCTION IN 1981, BUT IN
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RECENT MONTHS DOUBTS WERE EXPRESSED THAT THIS DEADLINE WOULD BE MET.

3. IN ADDITION TO THE PLANT, A TWO-BERTH LOADING FACILITY WAS ALSO TO BE CONSTRUCTED. THE OVERALL COST OF THE PROJECT WAS ESTIMATED AT BETWEEN US\$600 MILLION AND US\$700 MILLION AT THE TIME THE PROJECT WAS CONCEIVED IN 1974. A GROUND

BREAKING CEREMONY WAS HELD IN NOVEMBER 1976 WHEN THE FOUNDATION WAS LAID.

4. COMMENT:

THE WITHDRAWAL OF MEXICO WILL PUT THE PROJECT IN LIMBO FOR SEVERAL MONTHS AT LEAST. IT IS UNLIKELY THAT VENEZUELA WILL TAKE UP MORE THAN ITS ORIGINAL 10 PER CENT OF THE EQUITY AS THAT COUNTRY HAS NOW DISCOVERED BAUXITE AND IS IN THE PROCESS OF DEVELOPING AN INDUSTRY OF ITS OWN. THE EMBASSY HAS BEEN RELIABLY INFORMED THAT JAMAICA WILL BE TURNING TO TRINIDAD TO PICK UP THE MEXICAN SHARE (OR MORE) OF THE EQUITY. THIS IS REGARDED AS A DELICATE DIPLOMATIC OPERATION AS THERE ARE DIFFERENCES BETWEEN PRIME MINISTERS MANLEY AND WILLIAMS OVER AN ABORTED ALUMINUM SMELTER PROJECT INVOLVING THE TWO COUNTRIES AND GUYANA. THEN TOO, THERE HAS BEEN FRICTION BETWEEN THE GOVERNMENTS OF TRINIDAD AND TOBAGO AND OF VENEZUELA OVER FISHING RIGHTS IN THE GULF OF PARIA, SO THAT THERE COULD BE SOME RELUCTANCE ON THE PART OF BOTH COUNTRIES TO ENTER INTO PARTNERSHIP.

GOJ SOURCES ARE STILL OPTIMISTIC THAT THE PROJECT WILL WEATHER THE STORM AS A SUBSTANTIAL INVESTMENT ALREADY HAS BEEN MADE. THE CHANGE IN OWNERSHIP STRUCTURE, HOWEVER, COULD DELAY IT CONSIDERABLY.

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NOTE BY OC/T: TELEGRAM DELAYED IN TRANSMISSION.

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Message Attributes

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